

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 SS-20 SP-03 IO-14 STR-08 EB-11

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 3953

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E.O. 11652: N/A

TAGS EFIN AID IMF

SUBJ: REQUEST FOR IDB LOAN FOR FOGAIN

REF: AIDAC A UNN AUG. 31/74

1. MEXICAN GOVERNMENT COMMITTED TO EXPANSION OF CREDIT TO SMALL AND MEDIUM BUSINESS IN CONTEXT OF TIGHT CREDIT POLICY. THIS ONE OF POINTS MENTIONED IN PRESIDENT'S ANNUAL INFORME. (SEE OUR A-431). PROPOSED LOAN WOULD UNDOUBTEDLY BE USED AS ONE MEANS TO IMPLEMENT THIS PROGRAM.

2. AS FOGAIN IS AN INSTRUMENT OF NACIONAL FINANCIERA (NAFinsa) IT WOULD HAVE ACCESS TO OTHER SOURCES OF FUNDING. THESE COULD BE THROUGH NAFinsa'S FOREIGN-CURRENCY BORROWINGS ON INTERNATIONAL CAPITAL MARKETS OR IN THE FORM OF PESO-DENOMINATED INSTRUMENTS. NAFinsa IS STILLABLE TO RAISE MONEY IN EURO-DOLLAR MARKET, THOUGH THIS IS BECOMING MORE DIFFICULT. LIKEWISE, RAISING FUNDS IN PESO-DENOMINATED INSTRUMENTS FROM FOREIGN AND DOMESTIC SOURCES IS MORE DIFFICULT BECAUSE OF THE INCREASE IN INTEREST RATES IN FOREIGN FINANCIAL CENTERS. IN LIGHT OF DIFFICULTIES IN RAISING FUNDS DUE IN PART TO INTEREST RATE LEVELS, IT WOULD SEEM APPROPRIATE TO REVIEW THE INTEREST RATES CHARGED BY FOGAIN TO THE FINAL BORROWERS AND SUGGEST THAT HIGHER RATES WOULD ENABLE FOGAIN TO OBTAIN VIA NAFinsa RESOURCES FROM

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DOMESTIC AND FOREIGN SOURCES. THE INTEREST RATES CHARGED BY

FOGAIN ARE LOW RELATIVE TO NORMAL PESO BORROWING RATES - ABOUT 15 PERCENT, AND NEGATIVE IN TERMS OF THE CURRENT RATE OF INFLATION, WHICH SHOULD EXCEED 15 PERCENT OVER THE COURSE OF 1974.

3. BELIEVE FINAL JUDGMENT ON LOAN SHOULD BE MADE IN CONTEXT OF GOM REACTION TO ABOVE AND OF ANSWERS TO QUESTIONS POSED IN PARA. 15 OF SUMMARY.
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Message Attributes

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Draft Date: 24 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Disposition History: n/a
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30 JUN 2005

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